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DEPT FOR EAP AND EAP/CM, DESK PLEASE PASS TO SENATE ARMED SERVICES COMMITTEE/DEPUTY MINORITY STAFF DIRECTOR RICHARD FONTAINE

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CH, KN, PK, TW, IR

SUBJECT: NPC CHAIRMAN WU BANGGUO AND CODEL MCCAIN DISCUSS ECONOMIC CRISIS, ENVIRONMENT, TAIWAN, TIBET, DPRK, IRAN

Classified By: Charge d'Affaires, a.i.,
William Weinstein. Reasons 1.4 (b) and (d).

¶1. (C) Summary: Senator John McCain (R-AZ) emphasized the importance of free trade and bilateral cooperation to resolving the global economic crisis during an April 8 meeting with Wu Bangguo, Chairman of China's National People's Congress (NPC) and Politburo Standing Committee member. Wu noted the great progress in U.S.-China bilateral relations in recent decades, stating that relations under the Obama administration were "off to a good start" and noting that both countries had taken steps to resolve the global economic crisis. The United States should "pay attention" to China's "core interests," Wu stated, expressing hope that Taiwan and Tibet would not "disrupt" bilateral relations. Senator Amy Klobuchar (D-MN) stressed the importance of bilateral trade, environmental protection cooperation and energy efficiency. Senator Lindsey Graham (R-SC) said differences between the United States and China concerning Taiwan and activities in the PRC's 200-mile Exclusive Economic Zone (EEZ) were real. He urged China to take a "tougher stance" on North Korea in view of the April 5 rocket launch, exercise influence regarding Iran and do more on exchange rate reform. NPC Chairman Wu said China "did not support what the DPRK did" and was "engaged with the DPRK." The parties should nevertheless exercise restraint, and China did not want events to compromise the effectiveness of the Six-Party Talks or peace and stability on the Korean Peninsula. The Codel and Wu affirmed the importance of parliamentary exchanges. End Summary.

CODEL URGES FREE TRADE, COOPERATION ON ECONOMY, ENVIRONMENT

¶2. (C) U.S. Senator John McCain (R-AZ), accompanied by the Charge d'Affaires, told National People's Congress (NPC) Chairman and Politburo Standing Committee member Wu Bangguo at an April 8 meeting at Beijing's Great Hall of the People that the global economic crisis was an important issue for the United States and China. Senator McCain said he hoped recent steps by the two countries would restore the economies of both, emphasizing the vital importance of trade and cooperation in supporting economic recovery. He noted calls for protectionism in the United States and China and urged leaders in both countries to stress the importance of free trade. Senator Amy Klobuchar (D-MN) noted that growth in trade between the United States and China had created important benefits for Americans. In northern Minnesota, China's increased demand for iron ore had reopened mines and fueled new job creation. Senator Klobuchar urged

cooperation on efforts to protect the environment. It was very important to the United States that China do what it can to promote the efficient use of energy, she said.

¶3. (C) NPC Chairman Wu said the United States and China had achieved "enormous progress" in building bilateral relations, including expanded trade that reached USD 320 billion in 2008. The U.S.-China strategic relationship was increasingly important, and the overall bilateral relationship was among the most important in the world. China had experienced "problems with new administrations in the past," Wu said, though bilateral relations under the President Obama Administration were "off to a good start." President Obama and President Hu had held a "very successful meeting" at the G20 summit in London, agreeing that our two countries should have a positive, cooperative and comprehensive relationship in the 21st century. Both presidents designated special representatives to lead the bilateral strategic and economic dialogue. These steps demonstrated the U.S.-China bilateral relationship had "matured," Wu said.

¶4. (C) Chairman Wu said both the United States and China had taken steps to resolve the global economic crisis. China hoped efforts to boost the U.S. economy would succeed because this was also good for China. A healthy U.S. economy was vital, and expanded trade was good for both countries. Wu said the international economic crisis had had a significant impact on China. China's GDP growth had dipped to 6.8 percent during the fourth quarter of 2008. There was "downward pressure" on the

BEIJING 00000991 002 OF 003

economy, with decreased fiscal revenues, decreased exports and increased unemployment, although, Wu said, he was confident that China would reach its 2009 GDP growth target of eight percent. China was still in the process of industrializing and needed to invest more heavily in infrastructure. Spending would continue to increase in the automotive, housing and tourism sectors. During the first quarter of 2009, Chinese auto manufacturers had averaged 32,000 vehicles per day in sales, a larger figure than in 2008. China was determined to turn the financial crisis into an opportunity. It would close some factories to boost efficiency and promote innovation in the science and technology sectors, Wu said.

WU HOPES TAIWAN, TIBET WILL NOT "DISRUPT" RELATIONS

¶5. (C) Chairman Wu said the United States should pay attention to China's "core interests." For China, "the number one issue" was Taiwan, which impacted the sensibilities of China's 1.3 billion people. Relations between Taiwan and the Mainland were "on track to improve," Wu said. Wu reaffirmed the PRC's one-China policy, declaring that Beijing opposed all efforts to "separate" Taiwan from China. Wu hoped bilateral relations would not be "disrupted" by the Taiwan issue. Wu also stated that Tibet was an "inalienable part of China." Though Wu said he recognized that the United States opposed Tibetan independence, he acknowledged that the two countries did not "see eye to eye" on issues such as the role of the Dalai Lama. Wu said he hoped for continued dialogue on the Tibet issue. He reiterated his hope that the issue would not harm bilateral relations, and that the United States would look at its relationship with China "from a strategic and long-term perspective."

SENATOR GRAHAM COMMENTS ON TAIWAN, DPRK, IRAN

¶6. (C) Senator Lindsey Graham (R-SC) told NPC Chairman Wu that differences between the United States and China concerning Taiwan were "real and we must work through

them." Differences regarding the treatment of China's 200-mile EEZ were also real, Senator Graham said. We had to work through differences and, in some cases, agree to disagree. China had made progress on currency rate reform, Senator Graham said, telling Wu that China nevertheless needed to make further efforts. The Senator stressed that the United States attached great importance to China's response to the North Korea and Iran nuclear issues. China had great influence over North Korea, he said, urging China to take a tougher stance toward the country following the April 5 rocket launch. The U.S.-China relationship held tremendous potential, the Senator averred, stating that the United States hoped China would exercise its influence with respect to North Korea and Iran.

¶7. (C) Wu acknowledged U.S. concerns about North Korea's rocket launch. He noted reports that North Korea had celebrated a successful launch while the United States and South Korea claimed the missile fell into the Pacific Ocean. China "does not support what the DPRK did and we are engaged with the DPRK," Wu stated. All parties should exercise restraint. The end goal was a denuclearized Korean Peninsula, and the launching of a satellite would not garner so much attention if the Korean Peninsula were nuclear free. China did not want the recent launch to compromise the effectiveness of the Six-Party Talks or peace and stability on the Korean Peninsula, Wu said.

PARLIAMENTARY EXCHANGES IMPORTANT, SHOULD CONTINUE

¶8. (C) Chairman Wu said he looked forward to more "parliamentary exchanges" as a means of boosting cooperation between the United States and China. Every year, the NPC received more delegations from the U.S. Congress than from any other country. Despite a lack of consensus on some issues, the two sides were able to "find common ground" and work cooperatively. Senator McCain noted China's great progress over the past 30 years and affirmed the importance of continued exchanges between Members of Congress and Chinese officials.

BEIJING 00000991 003 OF 003

¶9. (U) The Congressional Delegation did not have the opportunity to clear this message.
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